# CONSUMER FINANCE NEWS

Vol. 35 JULY 1950 No. 1

EDGEWATER BEACH HOTEL—CHICAGO, ILLINOIS
SITE OF THE 1950 CONVENTION

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# Consumer Finance News

*Published by the*
**NATIONAL CONSUMER FINANCE ASSOCIATION**
*Washington, D. C.*

Vol. 35 • No. 1 — July • 1950

## IN THIS ISSUE:

# On the Cover

The Edgewater Beach Hotel where, as everyone should know by now, the 36th Convention and Annual Meeting of the National Consumer Finance Association will be held on September 21-22-23, 1950. It is ideally located on the shore of Lake Michigan, several miles from the congestion of Chicago's busy "Loop" and yet it is only a few minutes away from the heart of everything.

Many members will remember its fine facilities from the 31st Convention which was held there in February 1946. This was our Post War Convention which had been postponed from September 1945.

The general sessions of the convention will be held in the Ballroom. This beautiful room will seat large groups of persons at a meeting without any crowding. It is equipped with comfortable armchairs and a modern public address system. There is a stage at one end of the room. The colorful banquet, which is always a high spot of the conventions, will also be held in the Ballroom.

Then, there is the Michigan Room where the luncheons will be held. This room has been remodeled and redecorated and is also equipped with a modern public address system. In fact, the Edgewater Beach Hotel has all the facilities and services that make for convention success—a trained personnel with a thorough understanding of convention group needs and desires—a variety of rooms, suitable for large assemblages, smaller group meetings, displays, exhibitions, etc., with equipment to meet any need.

The Marine Dining Room, which overlooks Lake Michigan and the famous Beach Walk, is one of the best known and most beautiful dining rooms in America with unsurpassed cuisine. Mention should also be made of the popular priced grill room and The Yacht Club.

Extensive lawns and gardens with a Beach Promenade surround the hotel. It has a 1,200-foot bathing beach, regulation tennis courts and a nine-hole miniature golf course on the grounds. The delightful guest rooms provide for the comfort of convention-goers who will be stopping at the hotel.

And Chicago itself is the railroad, air line and automobile route center of the country—near both the geographical and population centers. The city has much to offer to those who like to sight-see. There is the Art Gallery, the planatarium, and of course the stockyards.

The Edgewater Beach Hotel has already received a large number of reservations for our convention. We are confident that the attendance at the 1950 convention is going to be the largest in the history of the Association. We have told you in earlier issues of CONSUMER FINANCE NEWS something about the program. You will find another story about it on pages 8 and 9 in this issue. There are so many other things of interest and importance going on at a convention which are not part of the official program. The opportunity to greet old friends and make new ones—the chance to confer with fellow businessmen whose problems are similar to yours, and time for pleasant social hours interspersed with the business of the convention.

Plan now to come to the Association's 36th Convention. For hotel reservations write to Edward Ahern, Reservation Manager, Edgewater Beach Hotel, Chicago.

# New Members

The totals are going up and a new state appears on the list—Minnesota with two new members. We are repeating the tally: California 1, Colorado 2, Florida 1, Idaho 1, Illinois 5, Indiana 3, Iowa 14, Kentucky 3, Louisiana 2, Maryland 6, Michigan 7, Minnesota 2, Nebraska 1, New Jersey 3, New Mexico 1, Ohio 3, Oklahoma 3, Oregon 4, Pennsylvania 4, Utah 5, Washington 1, and Wisconsin 4. This makes a total of 76 companies which have 102 branch offices among them.

General Chairman Ray E. Vester is in constant touch with his state chairmen. We quote from one of his recent communications to all of them:

"A big thank you for your excellent results to date. We have shifted from low to second gear and are now in high gear in the 1950 race. It won't be called for rain at the end of 345 miles as happened on Memorial Day in Indianapolis. We will continue to forge ahead day after day—week after week—right down to the day of our Annual Convention when our team can rest—at least for a few moments.

"Al Smith, that great American, said: 'Let's take a look at the record.' In May, the Executive Committee of our Association approved 41 applications. So far this year, they have approved 66 applications from companies having 82 offices. (Editor's note: In June 10 applications from companies having 20 offices were approved).

"An orchid surely goes to M. E. Patrick, vice president of the Federal Discount Corporation of Dubuque, Iowa, president of the Iowa Association, and our chairman of the Membership Campaign for the State of Iowa. So far this year, he has obtained 14 new members—or double the number of any other member of our team. A grand job!"

We are listing below the companies which were approved at the June meeting of the Executive Committee:

F. M. Wood, Inc., Lafayette, Indiana
Posey County Loan Company, Mt. Vernon, Indiana
Knodle Finance Company, Boone, Iowa
Standard Securities Corporation, Des Moines, Iowa (2 offices)
Favorite Credit Company, Baltimore, Maryland
Solner Investment Company, Detroit, Michigan
Davidson Loan Company, Minneapolis, Minnesota
East Side Loan Company, Minneapolis, Minnesota
North American Acceptance Corporation, Bryn Mawr, Pennsylvania (8 offices)
Monroe County Finance Company, Tomah, Wisconsin (3 offices)

The 1950 Membership Campaign has already set a record. Before it is over it is going to present a challenge to future membership chairmen. Every state where eligible companies are operating should be represented on the list of new members. Right now ten of them are missing. What about it?

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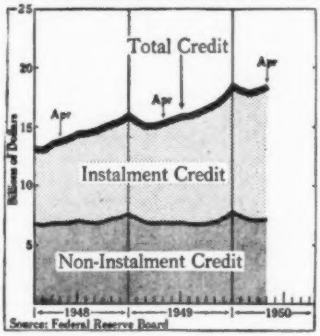
Trade associations can, if they will, be strong, progressive forces. If they are not, they invite their own destruction, and if they fall, they may bring down the house of free enterprise with them.

—*Printers' Ink.*

# Food for Thought

**Culled from Here and There**

## Consumer Debt Rises




**Deeper and Deeper** into debt goes the American buying public. In April outstanding consumer credit rose $325 million to the $18,629 million level. *Most of the gain was from credit buying of autos.* The end-of-April consumer credit total was $3,034 million above a year earlier and $4,570 million above two years ago.

—*The Wall Street Journal.*

**A loan or finance company** does not get people in debt. One of two situations exists with each customer that we serve: either he is already in debt and the loan will provide a plan to help him get out of debt, or he has contracted to go in debt for something he wants (car, washing machine, home, etc.) We simply provide the means with which he can obtain the end result. —*Richard E. Meier.*

**An ancient King,** troubled by his people's economic woes and confused by the conflicting theories and counsel of his economists, commanded that a short, simple text on economics be prepared. After many months, the economists brought many volumes replete with charts and graphs.

In fury, the King banished half of them and again demanded a text he could understand. One after another they made reports that went over his head, and one after another they went into exile.

In fear and trembling, the one remaining economist quavered, "Your Majesty, I have reduced this subject of economics to a single sentence. In nine words is distilled all the wisdom of the economists who once practiced in your realm:—*There is no such thing as a free lunch!* —*Steelways.*

**When you approach** a problem, strip yourself of preconceived opinions and prejudice, assemble and learn the facts of the situation, make the decision which seems to you to be the most honest, and then stick to it.

—*Chester Bowles.*

**I've noticed two things** about men who get big salaries. They are almost invariably men who, in conversation or in conference, are adaptable. They quickly get the other fellow's view. They are more eager to do this than to express their own ideas. Also, they state their own point of view convincingly.

—*John Hallock, Director of Personnel, University of Pittsburgh.*

**Enough of us will have** to make it our business to get back to fundamentals and to convince others of the importance of our basic ideals. That is not going to be done by law. It will take the good old method of personal contact and persuasion. Recently we have called it salesmanship or marketing. Call it what you will, it is time that we came back to the traditional American viewpoint that the *individual* is more precious than all else, and that he is by right endowed with freedom and responsibility, both of which are his and both of which he must accept.

—*American Viewpoint, Inc.*

### Which Are You?

I watched them tearing a building down,
A gang of men in a busy town:
With a ho-heave-ho and a lusty yell
They swung a beam and the sidewall fell.
I asked the foreman: "Are these men skilled,
And the men you'd hire if you had to build?"
He gave a laugh and said: "No indeed!
Just common labor is all I need.
I can easily wreck in a day or two
What builders have taken a year to do!"
And I thought to myself as I went my way,
Which of these roles have I tried to play?
Am I a builder who works with care,
Measuring life by the rule and square?
Am I shaping my deeds to a well-made plan,
Patiently doing the best I can?
Or am I a wrecker, who walks the town,
Content with the labor of tearing down?

—*The People's Credit.*

### MEETING SCHEDULE

**COLORADO**

Shirley Savoy Hotel, Denver, September 12

Shirley Savoy Hotel, Denver, November 15

Shirley Savoy Hotel, Denver, January 24, 1951

Broadmoor Hotel, Colorado Springs, May 25-27, 1951

**ILLINOIS**

La Salle Hotel, Chicago, October 24-25

**INDIANA**

Claypool Hotel, Indianapolis, November 9

**LOUISIANA**

January 20, 1951

**MARYLAND**

Baltimore, October 14

**MICHIGAN**

Statler Hotel, Detroit, October 24-26

**NEW JERSEY**

Essex House, Newark, October 11

**NEW YORK**

Buffalo, October 4-5

**OHIO**

Deshler-Wallick Hotel, Columbus, October 17-19

**OREGON**

Multnomah Hotel, Portland, November 18

**PENNSYLVANIA**

September 13

Philadelphia, November 10

**VIRGINIA**

Chamberlain Hotel, Old Point Comfort, October 18-19

# Your National Trade Association

## Sound Thoughts on the Scope, Function and Value of NCFA to Its Members

**By THOMAS D. GRIFFIN**

*Mr. Griffin is Chairman of the Executive Committee of the National Association and Executive Vice President of Local Loan Company, Chicago.*

For thirty-six years, the licensed consumer finance companies have joined in a national trade association of continuous existence. As we approach our 36th Convention and Annual Meeting of NCFA, we look with pride upon the record of this Association which has been so closely connected with the origin, growth and development of regulated consumer finance service for the American family.

The Association membership stands at an all-time high in the number of member companies. We have reached a new peak in volume of consumer loans and in the number of families who find financial assistance in our member offices. The great experiment of trying to solve the problem of needy and necessitous borrowers by providing a dignified, protected source of consumer instalment loans has proved successful—so successful that welfare organizations, legal aid societies and better business bureaus now look upon instalment loans with sincere approval. Our pioneering in the field, with tested and proven results, has brought to the consumer expanded credit financing from other institutions—banks, sales finance companies, credit unions and credit grantors generally.

The instalment credit business has reached another peak in public attention. Mass consumer financing has become big business in a mass consumption economy. Press, radio, trade publications, governmental authorities and the general public are more conscious of and give more attention to trends in consumer credit than ever before.

Competition is keener. The challenge of better service is everywhere. The consumer has been weighed and found to be a good credit risk. The steady income of employed American workers is the greatest resource and the best security in the world. The instalment loan is peculiarly adapted to fit into the worker's income pattern. Hence licensed lenders, banks, credit unions, sales finance companies and credit grantors generally have patterned their credit facilities to reach some segments of the business and there is much overlapping and very close competition in the fringe areas of the fields.

Against such a background of development, competition and public attention, the national trade association of our industry looms large in importance and value. Whether we will it or not, we are being judged in the court of public opinion. No one else can be expected to carry our public relations load. We must assume the obligation of maintaining public understanding and good will on a basis of merit. The job calls for national leadership of the highest caliber, with fullest cooperation and follow-through in every state association and in the local communities. Great progress is being made. The program of employee education—the "Public Relations in Action" series—has reached and is motivating the thousands of employees across the country to give better service and to tell a better story about this service business. Our shareholders are getting a better picture of the business than ever before, through better annual reports and messages about the business with each dividend check. They are learning to take pride in this phase of family service as well as looking for returns on their investment.

**Thomas D. Griffin**

Our relations with borrowers have been vastly improved. State laws and regulations prescribe accepted minimum standards of practice, but in actual operations the level of daily practice and relationships has come to be far above the minimums prescribed by law. Not only has the Association adopted a Code of Ethics and high standards of business practice, but through continuing exchange of ideas and the invisible hand of self-government, we have come to expect and to realize an improved attitude and practice throughout the business. We are more interested than anyone else in keeping the American family solvent, well budgeted and working its way out of financial stress and into a higher standard of living.

More important than ever before is our reach for public understanding. Only a national association could produce and distribute a first-class motion picture about the business. We have done it, with *Every Seventh Family* and *Who Gets the Credit?* Over nine million people have looked and listened with undivided interest to this vivid presentation about our business. Showings include more than 5000 schools and colleges and more than 5200 theatres.

We could go on with this story of public relations' outreach through work with college faculties, educational associations, better business bureaus, Business-Industry-Education Days, national conferences, and other activities, but these illustrations should remind you of some solid achievements in these areas.

We have many natural allies in the consumer credit field and enjoy fine working relationships with other kindred trade associations. In sales finance, the American Finance Conference; in banking, the American Bankers Association and Consumer Bankers Association; in the discount field, the American Industrial Bankers Association; in credit unions, the Credit Union National Association; in sales, the National Retail Dry Goods Association and Retail Credit Institute of America, Inc., and others have related problems and interests. Our Association profits from a friendly exchange of ideas with them, and good will prevails, in some cases in the face of intense but highly ethical competition.

Full information about the industry is of vital importance. The Washington staff is engaged in continuing study and research in consumer finance. The CONSUMER FINANCE NEWS and special member bulletins keep our members informed about the business, new operating techniques, statistics and general information about developments in

Washington and elsewhere. The Law Forum membership includes most of the lawyers who represent member companies. Their analytical approach to the legal developments and problems of the industry are extremely valuable to the Association and to the business. The Law Forum Bulletin is the recognized authority on current legal developments. The new "Compilation of Consumer Finance Laws," now in preparation, will soon be the only up-to-date authoritative legal publication on the subject. It will go out as a service to members.

The Advertising Forum is growing so rapidly as to surprise everyone. The Advertising Forum—its publication—came out with the first issue in June and will be published quarterly thereafter. The Advertising Forum promises to be as valuable an adjunct to the Association as the Law Forum.

The Association program is full, well-rounded and growing. It is blessed with splendid cooperation from 32 state associations, to whom full credit must be given for so capably hardling the problems of the industry at the state level and in legislative relationships. There is a well-developed spirit of unity throughout the industry. Nearly a hundred new companies have been admitted to membership this year. They recognize the importance of a national trade association in these days of change and threatening clouds of federal encroachment which loom on the horizon.

Your trade association is a voluntary, democratic organization, with a vote for each branch office on the rolls. It provides an open forum for free discussion and debate of policies affecting the business. As model laws are evolved and operating policies are discussed, it is to be expected that strong men will differ in viewpoint and opinion. Over the years great progress is made and opposing viewpoints converge or come together as experience or changed conditions within or without the industry focus thinking to common ends.

And our final thought. The licensed consumer finance business was conceived as a needed service to borrowers. It has become one of the vitally important business institutions of America. Its development is due in large part to the foresight and business acumen of leaders who were big enough and wise enough to think for themselves, but, more importantly, tolerant enough to listen and to exchange ideas freely with others in their trade associations. The peaks on which we stand now may be stepping stones to further progress.

"In unity there is strength."

# ABA Instalment Credit Conference

The themes of the ABA Instalment Credit Conference were: (1) weakening of instalment credit terms is not justifiable at the present time, and can only lead to demands for government regulation; (2) government loans and government guarantees of bank loans point the way to nationalization of credit in this country; and (3) automobile, furniture, electrical equipment, television, and home improvement demand and output will continue high in 1950 and beyond, and can lead to a larger volume of consumer credit, on sound terms.

The broad and fundamental influences affecting consumer credit—and banking—received greater attention than at any previous conference. The attendance was also the largest—almost 1200.

### Soundness of Terms—Nationalization

In his opening and his concluding remarks as Chairman, William F. Kelly, Senior Vice-President, Pennsylvania Company, emphasized the growth in the consumer credit activities of commercial banks, estimating that they now hold $4.5 billion of direct loans and retail sales finance paper, of 12 million customers. This amounts to 17½ percent of total bank loans and discounts. With commercial banks now holding a larger volume of consumer credit than any other class of agency, their position of leadership has brought responsibility to see that credit is advanced "on sound terms to creditworthy people." "Character and competence," he said, "are the safeguards which insure repayment of loans—even if the capacity of the borrower is impaired."

F. Raymond Peterson, President, American Bankers Association, described the economic significance of consumer credit—how it has helped make possible mass distribution, mass production and the American standard of living.

George M. Clark, president, Consumer Bankers Association, also emphasized the role played by consumer credit in bringing about our unparalleled standard of living, and decried the use of government credit and guarantees as a crutch.

Dr. Harold Stonier, executive manager, American Bankers Association also emphasized the responsibilities of the leadership which banks have attained in consumer credit, and the necessity of maintaining the enterprise system. If "socialism ever comes in this country, it will not come through deliberate action on the part of the public, but through a continued erosion of the enterprise system." He pointed out that banks should expect and be ready for the losses implied in a profit and *loss* system.

Mr. J. L. Robertson, Deputy Comptroller of the Currency, in discussing the bank supervisor's point of view, pointed out that consumer credit can create stability or instability, depending upon when and how it expands and contracts. "When the cream is off the sellers' market, the paper created by retailers can be unsound. If control of credit is to remain in your hands—which I prefer—you must police credit terms to see that they remain sound. Enlightened self-discipline is necessary if the public good is to prevail."

### Service Is Important

Personal loans are the most important type of instalment credit for building good customer relations for banks, Carl A. Bimson, executive vice president, Valley National Bank, said, because they provide cash credit at reasonable cost for emergency and constructive requirements. He emphasized the importance of good service, in order to reinforce the expressed preference of a large percentage of the public for bank loans or bank financing, as compared with competing agencies. His bank handles instalment paper of all types, and charges 8% discount on paper of less than $1,000. At some time during its life, 25% of the paper is referred to the collection department for attention.

Phillip Woollcott, president, The Bank of Asheville, N. C., also emphasized good service as the only way of building instalment loan volume. The customer must find the service equal to—or better than—the advertising. All dealings with him must be based on the conviction that the instalment borrower is the equal of any other customer. This is true of the original interview and of collection procedures. Late charges should be adequate, but should not be in the nature of a penalty.

### Economics of Consumer Credit

In a round table discussion which appears to have become traditional at Consumer Credit Conferences, Dr. William A. Irwin, economist, ABA, Dr. Willard E. Atkins, and Dr. A. Anton Friedrich, both of New York University, explored the economics of instalment credit. The phenomenal growth in instalment credit in the last ten years was attributed to the backlog of

demand created during the war, to the increase in prices and in dollar incomes of the public, to the wider distribution of income, and the consequent increase in standard of living, to the rapid rate of population growth since the war, and to the suburbanization of recent years. Dr. Atkins felt that 1950 would be a better year than 1949, possibly better than 1948, from the point of view of the general business outlook, with steel production showing only seasonal fluctuations and averaging from 80% to 85% of capacity; with automobile production high since we have not yet reached a buyers' market; and with the continued high production of homes, largely through government support. Dr. Irwin foresaw no possibility of a "boom and bust," pointing out that we have a noncollapsible credit system—but one in which there are no checks upon expansion except administrative ones.

Dr. Friedrich said that there have been three pillars of American prosperity: mass production, instalment consumer credit, and the lack of Balkanization. He called consumer instalment credit one of the great inventions of the modern world (comparable to the invention of money and the promissory note) in that instalment credit makes it possible for people to save—not that it permits them to spend. Instalment credit is peoples' credit. It is significant that its widespread development has occurred in the capitalistic countries, not under the socialistic governments of Europe.

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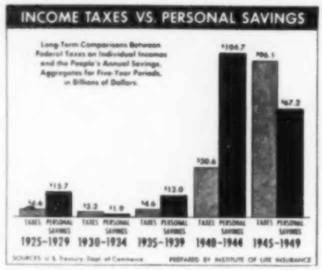
## Seaboard Acquires Employees Credit

W. A. Thompson, Chairman of the Board of Seaboard Finance Company, announced on June 8, 1950 that Seaboard had completed the acquisition of over 98% of the Class B stock and approximately 90% of the Class A stock of Employees Credit Corporation.

Seaboard Finance Company is one of the larger small loan companies in the United States. This acquisition increases its offices to 128, located in 22 states, and for the first time brings Seaboard into New York City. The combined receivables outstanding of the two companies at April 30th was $65,000,000.

Mr. Thompson also stated that Mr. Charles A. Gerhardt, President of Employees Credit Corporation, has been elected Executive Vice President of Seaboard Finance Company and will occupy offices of the company at 155 East 44th Street, New York City.

# Income Taxes and Savings




Contrary to the pattern that normally prevailed in the past, the American people as a whole have been paying far more in personal income taxes alone in the postwar years, from 1946 to date, than they have been putting aside in savings in the period for their own future security and that of their dependents.

This development is shown in official Government figures on the long-term trend of Federal income taxes and personal savings and their relationships over the past three decades. It therefore provides a further significant insight into the personal as well as economic impact of the great growth in the cost of Government since prewar; for income taxes, as is well known, represent only part of the people's tax bill.

### Present and Past Relationships

Last year, for example, the people as a whole paid the Federal Government a total of $18.1 billion in income taxes, according to U. S. Treasury figures. Department of Commerce statistics show that aggregate personal savings for the year amounted to $11.8 billion. This means, therefore, that the people's combined savings in 1949 represented only 65 cents for every dollar paid in Federal income taxes.

Similar comparisons for the other three postwar years show that personal savings were the equivalent of 57 cents per dollar of Federal income taxes in 1948, as low as 26 cents per dollar in 1947, and 55 cents per dollar in 1946. For the four postwar years together, Federal income taxes paid by the people as a whole added up to a total of $77.1 billion. Over-all personal savings for the period aggregated $39.2 billions. Thus the people's combined savings since 1946 have come to barely more than half the aggregate Federal income tax payments in the period.

These relationships between personal savings and income taxes are in marked contrast with those that are found in the past. Records going back to the first World War period show that in most years prior to 1946, except for a few in the '30s, people as a whole usually saved two or three times as much annually as they paid in Federal income taxes in each year. The savings ratio was very much higher in some of the recent war years, but that was as abnormal in this respect as the depression years with their widespread dissaving.

### The Factor of Government

The dominant reason for the reversal in the customary savings-to-income taxes relationship is to be found in the extent that the cost of Government, and hence the tax burden to support it, has increased since prewar. It can not be attributed to any abnormally high spending by consumers as a whole, any such impression to the contrary. As a matter of fact, official Government statistics show that aggregate personal spending has been playing a relatively smaller role in the postwar business boom than in previous periods of peacetime prosperity, as shown by relationships between aggregate personal consumption expenditures and gross national product from the '20s to date.

As far as Federal personal income taxes alone are concerned, in 1939 and 1940 they added up to a billion dollars a year. Last year the total bill was just 18 times as much. This rise dwarfs the increase in the aggregate dollar amount of personal savings in the period, which in 1949 were some fourfold higher than in 1939.

Besides, there is much more to the personal tax bill than Federal income taxes alone, great though these may be. More than half the states, for example, also impose income taxes and in 1949 collected an estimated $575 million from this source. In the last decade, too, scores of cities and other local government bodies in various parts of the country have adopted income taxes for residents in their search for new sources of revenues. Nor must the billions of dollars that the people pay annually in sales and other excise taxes—State and local as well as Federal—be forgotten either with regard to their impact on personal incomes and hence on the people's margin for spending as well as saving.

### Need for More Saving

In over-all dollar amounts the current rate of individual saving would seem to compare favorably with prewar standards, judged by relationships to personal income. But conditions are fundamentally different now than be-

### Savings Vs. Income Taxes

The following table presents long-term relationships between annual Federal income tax payments and yearly personal savings (in billions of dollars):

| Year | U.S. Income Taxes | Personal Savings | Ratio(a) |
|---|---|---|---|
| 1925-29 total | $4.6 | $15.7 | $3.40 |
| 1930-34 " | 3.2 | 1.9(b) | .59 |
| 1935-39 " | 4.6 | 13.0 | 2.83 |
| 1940-44 " | 30.6 | 104.7 | 3.42 |
| 1945 | 19.0 | 28.0 | 1.47 |
| 1946 | 18.7 | 10.3 | .55 |
| 1947 | 19.3 | 5.1 | .26 |
| 1948 | 21.0 | 12.0 | .57 |
| 1949 | 18.1 | 11.8 | .65 |

(a) Personal savings per dollar of Federal taxes on individual incomes.
(b) Years 1932 to 1934, inclusive, showed $2.8 billion of dissaving.
Sources: U.S. Treasury; Department of Commerce; Institute of Life Insurance.

fore, and former yardsticks with respect to savings are as outdated as pre-war styles.

One of the basic changes in the last decade is that the dollar has lost so much of its buying power. It is now worth only 60 cents as compared with 1939, according to Bureau of Labor Statistics living cost figures. Of equal importance, too, is the urge and drive for individual security that is so manifest today. Thus people at large need to save more than in the past if their security hopes are to be realized by their own efforts and on their own initiative and responsibility, the traditional way in this country.

*—Institute of Life Insurance.*

## Auto Finance Bill

A bill regulating the financing of instalment sales of automobiles was adopted by the Michigan Legislature and sent to Governor G. Mennen Williams for signature.

The enacted measure limits finance charges to $6 per $100 on new cars, $9 on cars up to two years old, and $12 on cars more than two years old. It also limits so-called "kickbacks" from finance companies to dealers to $15 on a 12-month contract and $1.25 per month on contracts running more than one year, and up to two years with an over-all limit of $30.

Senator Harry F. Hittle, East Lansing Republican, who sponsored the bill, described it as "one of the best laws of its kind in the United States." While it is designed primarily to protect the public, he said, "it is balanced in such a way that it in no way jeopardizes the dealers or restricts the sale of automobiles."

Besides limiting finance charges and putting a ceiling on kickbacks, the bill also prohibits the compounding of excessive interest rates, yet permits the dealer to loan new money; forbids finance companies from retaining all of the finance charges when contracts are paid up before maturity; provides regulations on insurance furnished by either the finance company or the buyer; requires notice to the buyer in case the car is repossessed; requires that repossessed cars be sold in the county where the contract was executed and affords the buyer opportunity to protect himself against a deficiency judgment in event the car is seized and sold at an unreasonably low price.

The State Banking Department will administer the act, which provides for an administrator with whom complaints can be filed, thus relieving the purchaser from being required to go into court to protect his rights.

## Question Box

### on the Wage-Hour Law

**Answers by**

**JOSEPH E. NEWTON of the Chicago Bar**

**Question:** Is a manager of a small loan office having but one employee other than himself, exempt under the Wage and Hour Law as an Executive?

**Answer:** Not as an Executive, but possibly as an Administrative employee. To be exempt under the Executive definition, it is necessary that the Manager direct the work of *two or more* employees other than himself. See Section 541.1 for Administrator's full definition of an Executive.

An Administrative employee is exempt if he receives at least $100.00 per week and his primary duty consists of office work directly related to management policies or general business operations, which includes the exercise of discretion and independent judgment. An Administrative employee may receive $75.00 per week provided he does not devote more than 20% of his time to activities which are not directly and closely related to management. Since most managers in a very small office spend a considerable period of time doing work ordinarily carried on by subordinate employees in a large office, it is doubtful whether a manager such as described in this question could qualify on a $75.00 a week salary.

**Question:** As I understand it, a $30.00 weekly salary is sufficient to comply with the new 75¢ per hour minimum pay requirement under the Wage and Hour Law. Assuming that an employer is operating under the fluctuating work week plan, is it only necessary to pay a $30.00 a week employee one-half the regular rate for any overtime hours?

**Answer:** No. An employee must be paid at least 75¢ per hour for every hour worked (including the overtime hours) plus an extra one-half time for the overtime hours. The idea behind the fluctuating work week plan is that the "regular rate" will vary from week to week depending upon the number of hours actually worked and the weekly salary covers the straight time pay for all hours worked; it is, therefore, only necessary to pay an extra one-half time for the overtime hours. If, however, the regular rate figured in this manner falls below 75¢ per hour, it must be raised to this sum and an additional 37½¢ must be paid for each hour of overtime.

**Question:** Have there been any decisions of any upper courts holding that consumer finance companies either are or are not subject to the Wage and Hour Act?

**Answer:** No. Several suits have been brought against members of the industry seeking injunctions compelling them to comply with the Act but all of these have been dismissed except one which is now pending in the State of Pennsylvania. It is not anticipated that this case will come to trial until the latter part of next fall.

## Easy Terms

The federal government's policy of loosening credit for home construction —very little down and most of the borrower's life to pay out—is progressing nicely.

With a down payment as low as $350, a family can buy a $7,000 house and then make settlement at the rate of only $40 a month for 30 years.

These government terms are easier than those on a lower-priced postwar car. Dealers require a down payment of $400 or more on them and $50 or more a month for two years, or less.

Uncle Sam's economists say the latter plan is bad and that consumer credit curbs should be placed on private enterprise institutions which extend such "easy" terms.

Does this make sense to you?

*—The Industrial Banker.*

# The Road Ahead

## Operational—Political—Economic

Convention Program Planned to Review Current and Forecast Future Trends

On September 21-22-23, the consumer finance industry will gather at the Edgewater Beach Hotel in Chicago for the 36th Convention and Annual Meeting of National Consumer Finance Association. There may be a quick look at the history of our business, but only enough to fix our position. The principal emphasis will be on current problems and conditions as they appear to exert an influence on the road ahead for our business. The experts will give us their views and their interpretations. You will trade views with your fellow operators and go home with new ideas for improved service, lower costs and better profits.

These national conventions have always marked the high point of each year for the industry. As a nostalgic note for the *old-timers* and as an inspiration to the new blood in the business, we publish below a picture taken on the White House lawn, with President Herbert Hoover, at convention time in 1931. We're downright proud of that picture at national headquarters, but we take even greater pride in the progress made by those leaders and their successors since 1931. In twenty years they have increased annual volume of loans made and outstandings more than fourfold. Service to borrowers has increased even more. We have reached a new record in 1950, but our position is challenged by competition, by federal encroachments, and by political and economic developments that call for the best thinking and the best planning of our combined leadership.

### Committees at Work

B. J. (Barney) Lenihan as General Convention Chairman, and L. J. (Sam) Ingram, Program Chairman, are riding herd on their committees and, believe it or not, they are really getting results. Provision has been made to get the preliminary meetings of the Executive Committee, Board of Directors, Law Committee and Public Relations Committee out of the way in two days preceding the convention, so that three full days and a full evening or two will be cleared for general sessions of the convention, three luncheons and a record-breaking banquet.

**Barney J. Lenihan**

### Theme

"The Road Ahead—Operational—Political—Economic" speaks volumes and gives you the key to the program planning. Chicago's noted Mayor will bring the address of welcome, followed with a response by Vice President B. J. Lenihan. Then President I. L. Brisbin will give his president's address outlining *The Road Ahead for This Business* as he sees it after a lifetime of experience in the operating end of financing and a year as president of the national trade association. Can he call the shots?

Next the executive vice president will review his studies on the *Status of Our Business*, showing where we fit into the economic pattern, as he sees it from a Washington viewpoint.

Then we go into a picture called *The Economic Picture*, by a nationally known economist, which will be directed toward the forward-looking prospects in the immediate future and in the longer-range view. These addresses should develop the background into which the rest of the sessions fit—plans for operating plans and policies.

The Public Relations Committee is planning the opening luncheon session with an eye to the best available talent to develop the scope and importance of human understanding and human relationships to a business—to our business in particular.

### Legal Round Table

No, lawyers do not make loans, but in a business created by statute and operating constantly in the light of state regulation and supervision, shadowed by enlarging threats of federal encroachment, and charged by public policy with an obligation of growing service to American families, every phase of the lending business must be made to conform to complicated and intricate legal developments. The Law Forum committees work right through the year and will bring to our members the results of their studies on Wage and Hour regulations, laws of bankruptcy and operating manuals in bankruptcy proceedings, Federal Trade Commission rules, the new Commercial Code, and the trend of decisions relating to small loan laws. You cannot afford to miss this round table.

### Advertising

The newly formed Advertising Forum, which is having such phenomenal acceptance and growth, will take over the morning session on Friday. After all, "nothing happens until a sale is made." Do you know how to get attention, arouse interest and close a deal? Advertising is part and parcel of every successful business. This year we marshal the experts to present and discuss such living subjects as *Radio vs. Television in Advertising, Point of Sale Advertising, New Developments in Direct Mail;* and then an address by one of the most outstanding figures in the advertising world—Fairfax Cone of Foote, Cone & Belding. "Nuff sed" on that round table. You cannot afford to miss this session.

### Friday Luncheon

What is the road ahead for the American system? Your business future, as well as your personal future and that of your family, depends upon the answer to that question. You must hear Carl Taylor as he analyzes the trend and brings a challenging message of hope to thoughtful America.

### Operations

Increasing efficiency in operations is the central theme of the Friday afternoon Round Table on Operations. First, improved methods and/or mechanical devices in internal branch office and in outside branch office practices and in home office operations. Each of the leaders—Davis Weir of State Loan and Finance Corporation, A. T. Coyle of Commonwealth Loan Company, and David B. Lichtenstein of American Investment Company of Illinois—has distinguished himself in the field he will discuss. They have cut costs for themselves—you can do it by adapting their ideas to your own situation. Second: Solving collection problems will be revealed by authorities such as M. L. Goeglein of Pacific Finance Corporation, H. W. Gibson of Capital Finance Corporation, and others. What is a practical loss ratio for sound operating efficiency? One that will let you give a full service while protecting investors might be one answer, but it's not that simple. You will want to get in on this discussion for sure.

**Leon J. Ingram**

### Annual Banquet

The annual banquet of NCFA has become a tradition. This one comes on Friday evening, September 22, and will be held in the Grand Ballroom of the Edgewater Beach. With good food, good fellowship, good music and an outstanding speaker, it should break all records. Bring all the gang.

### Annual Meeting

Got anything on your mind? The annual meeting is the place and the time to get it off. Full reports of officers and committees will bring you up to date on Association affairs; then new business and election of your Board of Directors for next year.

### Inaugural Luncheon

After the Board organizes and elects the Executive Committee and the officers, we go into final session at the inaugural luncheon, with installation of new officers and an address by another past president of the United States Junior Chamber of Commerce. He will send you away chuckling but inspired.

*(Continued on page 14)*

# Springfield, Ohio, Lenders Hosts to Teachers

## Community Education Day A Success

The small loan companies of Springfield, Ohio on May 16 joined with 21 other local industries and businesses of that city in a Community Education Day program, sponsored by the Springfield Chamber of Commerce. Six hundred parochial, public and private school teachers and members of the Clark County Ministerial Association participated in the all-day affair. The program was highlighted by tours of local business and industrial establishments by faculty members and ministers. At each place of business the teachers and ministers were given a chance to see what makes the wheels of business and industry turn by observing the establishments in operation, and by conferring with top management about the conduct of business in a free enterprise economy.

The guests and their hosts for the day assembled at 8:30 a.m. at the Public High School where they were greeted by John A. Zimmerman, general chairman of the event; C. P. Meredith, president of the Chamber of Commerce and E. E. Holt, superintendent of Springfield schools, explained just what Community Education Day means from the viewpoints of business and education respectively.

Escorts from the local lenders' exchange were on hand to meet the teachers and ministers assigned to our business and to transport them by chartered bus to the place of our morning conference.

At 9:15 a.m., 23 teachers and 3 ministers met with 12 host managers at the office of the City Loan & Savings Company. Introductions to local office managers were handled by Fred Sanders, president of the local exchange and chairman of the Community Education Day program for the industry. The teacher-minister guests were greeted on behalf of the industry by Gilbert Bilenkin, president of the state association. During the morning session, presided over by Mr. Sanders, guests heard Ralph Mong, special representative, BMC Corporation, Newark, New Jersey, outline the history and background of the small loan business. Following Mr. Mong's presentation the group was addressed by Paul Fletcher, secretary, City Loan & Savings Company, Lima, Ohio, who explained the operating policies and procedures of his organization and demonstrated the various forms used by his company in handling new and renewed loan application.

The remaining portion of the morning found teachers touring member offices in four groups. Host company managers, who explained to the teacher groups the behind-the-counter operations of the small loan business, were Richard Davis, American Loan & Finance Company, Robert McIntire, Capital Finance Corporation, C. D. Pearson, Ohio Finance Company, and Charles Lenhart, Springfield Loan Company.

At 12 o'clock noon the teachers and ministers were luncheon guests, at the Hotel Shawnee, of the Springfield Small Loan Exchange. President Bilenkin served as chairman for this session. Invocation was pronounced by Rev. Frederick Mueller, pastor of First Lutheran Church, Springfield. The small loan industry was honored with the presence of two school administrators, E. E. Holt, Superintendent of the city schools, and Oscar Hawke, Superintendent of Clark County Schools. President Bilenkin, in introducing the principal speaker, Dr. H. H. Maynard, chairman, Department of Business Education, Ohio State University, Columbus, stated that Dr. Maynard was qualified to speak from both the businessman's viewpoint and the educator's. Forty-eight teachers and ministers and loan industry personnel heard Dr. Maynard speak on the subject, "Business and Education—Their Stake in One Another." Dr. Maynard advocated a better understanding of the problems of our neighbors and of those who serve us, and said that when this takes place we will have a great appreciation of the problems of the other fellow, be he an educator or be he a businessman.

The afternoon session was called to order by Daniel W. De Hayes, executive secretary of the Ohio Association of Small Loan Companies, who had assisted the Springfield exchange in planning their participation in the Community Education Day program. Mr. De Hayes outlined the objectives of the Ohio Association of Small Loan Companies and introduced the speakers on the afternoon program.

Carl Wiese, employment supervisor, Household Finance Corporation, Chicago, addressed the teachers on the topic, "Employee Policies, Training and Relationships." Mr. Wiese's presentation gave his guests an insight into the personnel program of a nationwide consumer finance company. The public relations program of the industry was discussed by Harry Gibson, director of Consumer Relations, Capital Finance Corporation, Columbus, Ohio. Mr. Gibson concluded his remarks with the showing of the film, *Who Gets the Credit?*

A question and answer period conducted by Dr. Maynard was the final event on the afternoon's program. At 3:30 p.m. the discussion period ended and educators and ministers were returned by chartered bus to the high school.

Each teacher and minister was given a copy of Dr. Robert Kelso's booklet entitled, "The Social Background of the Small Loan Business in the United States," the National Association of Secondary School Principals' pamphlet entitled, "Using Consumer Credit," and our Ohio Association's newest public relations pamphlet, "Every Seventh Family Uses Our Services."

The closing event on this busy day was a banquet attended by the guests and their hosts at the Memorial Hall. This event, a fitting conclusion to Springfield's first Community Education Day, was the occasion of the 63rd annual Chamber of Commerce dinner. The guest speaker for the banquet program was Cecil Palmer, British publisher, author and journalist. Mr. Palmer, a champion of free enterprise, spoke on "Socialism in Practice." The speaker, who organized a non-partisan committee against socialism known as the British Society for Individual Freedom, stressed the necessity of business, industry, and education working together to insure individual liberty and responsibility.

Reactions from teachers and ministers in attendance were highly pleasing. Many expressed themselves as being impressed with the service the small loan business renders the community. All agreed that they had acquired a great number of facts on the operation of the small loan business. Superintendent Holt summarized the teachers' and ministers' reactions best when he volunteered this comment at the conclusion of the afternoon session, "Thanks for a most profitable day."

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The United States can safely spend 30 times as much for education during the next 100 years as it is spending now. This is the verdict of Brookings Institution, a Washington agency famous for cautious research.

# Personalities

**Al M. Constans,** president of The Only Local Loan Company in Seattle Inc., was born in Pipestone, Minnesota on Easter Sunday, April 12, 1903. He attended schools in St. Paul, Minnesota; Friendship, North Carolina; California, and finished his schooling in Seattle where he attended high school and the University of Washington.

In 1922 he started his career in the loan business as an outside man and has been actively engaged in it ever since. He started his first small loan office October, 1927, in Tacoma and has had interests in the Northwest and California, but is now centering his activities in the Seattle area.

He has been very active in state association work, having been chairman of various committees and a member of its Board of Directors since the Washington State Consumer Finance Association was organized in 1941, and is currently serving as vice president.

Mr. Constans is past Commodore of the Queen City Yacht Club and has until recent years been very active in yachting; past president of the Bellevue Chamber of Commerce and was recently elected Water Commissioner for King County District 68. He is a member of the Board of Directors, and vice president of Mutual Loan Company of Washington, of which corporation Mr. Ray Vester is president. He is a director of the Washington State Bank, main office in Snoqualmie, Washington, with five branches in neighboring communities. He is a 32nd degree Mason, a member of the Nile Temple of the Shrine, Legion of Honor, Order of De Molay and of the Bellevue Lions Club.

For the past seven years he has lived

*(Continued on page 14)*

## TWENTY Years Ago in the *News*

*Personal Finance News,* July 1930

National Officers, 1929-1930:

President, Albert P. Snite; Vice President, T. M. Kaufman; Executive Vice President, W. Frank Persons; Treasurer, T. J. Harrison; Secretary, Edgar F. Fowler

LOST, FOUND—and FOUND OUT

Many appropriate titles suggest themselves for this little drama in which George W. Kehr of Harrisburg recently played the leading role. It might have been called, "When Were the Missing Papers Missed?" or "Tip Your Taxi Driver 122 Per Cent and Don't Worry,"—or a lot of other things.

The facts are these. George Kehr attended a meeting of the Executive Committee in Washington on June 17. So important were the deliberations of the Committee that George could not leave until dangerously near train time. Commandeering a high-powered taxi, George suspended all traffic regulations, closed his eyes and hoped for the best.

Up to this time, George clutched firmly in his trusty right certain important documents of a highly confidential character. When George clutches a document, it usually stays clutched.

But George found it necessary to clutch other things en route to the Washington station if he were to preserve anything like a dignified posture in the madly dashing cab. So perforce, he momentarily lost grip on the important documents in favor of the roof of the cab.

The next thing George remembers was his arrival at the station with about one minute to make the Harrisburg flyer. It was no time for small measures. Things had to move in the grand manner. So George tipped the driver an amount which would make most auditors blush (it figured a little over 122%)—and he made his train.

But the papers! When George finally caught his breath on the train, the documents were missing.

George examined his right clutch and his left clutch but there was not even an ink stain. Visions of a lifetime given over to prudence demolished in a moment of rash sky-larking in a taxi fell upon him.

The papers were gone. George did not know the name of the cab company, much less the name of the driver. All he had by way of comfort was a philanthropic sense of having given the driver a 122 per cent tip. But even though the driver were well-disposed, how could he trace George.

Upon his arrival in Harrisburg a telegram awaited him. It read: "Liberal tip to driver appreciated. Papers left in cab forwarded by mail. Cab Company." And sure enough, along came the missing documents by the first mail to George's business address.

All of which makes George wonder much and deeply. How can cab companies show a profit and send prepaid telegrams to their patrons? How were George's fingerprints identified so promptly, if indeed, it was a matter of fingerprints? And if it wasn't, who found George out and just how was it accomplished?

# State Association Activities

## Illinois

On May 25, 1950, fifty-seven members of the Illinois Consumer Finance Association from the northern part of Illinois gathered at the Faust Hotel in Rockford.

S. H. Sundberg, manager of Viner & Shields, Rockford, was the chairman and toastmaster. He welcomed the lenders and the members of their staffs and paid tribute to the association. The sound-movie *Going Places* was shown following the dinner.

After introducing those at the speakers' table, Mr. Sundberg called on James H. Cronin, executive vice president of the Association, who spoke on "What the Association Means."

He pointed out the benefits the association members receive particularly from the bulletins, the meetings of the association, the Roster, the Illinois Booklet and the fact that committees composed of competent and able men are ready, willing and able to handle any problem concerning the consumer finance business.

Mr. Cronin called attention to the Business-Industry-Education Days which have been held in Illinois to date and of his participation in them.

Albert P. Snite, secretary of the Association for many years and a former president of the Association, spoke on "Observations of an Old-Timer." Having been in the loan business for many years, he was able to tell many interesting experiences and stories about it.

He told how the first small loan law happened to come about here in Illinois and of the formation of the association back in 1917. Surely only an old-timer in the business could speak with such humor and interest as he did. Those who heard Mr. Snite appreciated his talk and the fact that he journeyed from Chicago to Rockford to be in attendance at the Regional Meeting.

While he was not scheduled to speak on the program, Supervisor Knight, who very kindly attended the meeting, was called on by the toastmaster, for a few remarks. He told the lenders of his desire to keep the industry clean and that so far as it was within his power he aimed to do that, and asked for the cooperation of the membership with his office and particularly in the kind of advertising that would reflect credit on the industry.

Assistant Supervisor James J. Walsh pointed out to the lenders the fact that some advertising concerns had seen fit to offer some advertising material to lenders which was not in keeping with the dignity of our business. While the use of it has been stopped, he admonished all of those in attendance not to use such material at any time in the future.

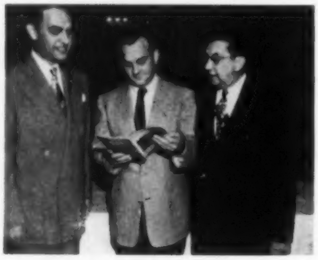
The speaker of the evening was Thomas D. Griffin, chairman of the Board of Directors of the association who gave a splendid talk on the subject of "Developments in the Consumer Finance Business."

Mr. Griffin emphasized to his listeners the importance of not just talking about good public relations, but of practicing them daily in the loan offices in connection with daily routine work. He pointed out that one bad or ill-advised action can bring about criticism and bad publicity which no amount of good public relations work can overcome.

He complimented the association for its alertness and for its activities and called attention to many things affecting the business of the lenders and why they should be eager to do everything they can to protect their own interests.

The meeting was concluded by showing the industry movie *Who Gets the Credit?*

## Kentucky



**(L. to R.) D. B. Lichtenstein, Charles Humphries and H. E. Clauter**

The Annual Spring Meeting of the Kentucky Consumer Finance Association was held at the Irvin Cobb Hotel, in Paducah, Kentucky, May 16 and 17. Without a doubt this was one of the most outstanding meetings of the Association.

Charles Humphries, of Friendly Finance Corporation, was general chairman for the meeting and started the ball rolling with a dinner meeting at The Seay's Breeze Club for the Board of Directors the evening of May 16.

The meeting really got under way at noon, May 17, with President Harry E. Clauter presiding. David B. Lichtenstein, executive vice president of American Investment Company was the luncheon speaker and really did a fine job, as evidenced by the response from the large attendance.

He told his audience that, "New government viewpoints on corporate finance are making it increasingly difficult to establish pension plans. Most of us who have pension plans already in effect wouldn't be without them, but we, too, would shudder with the rest of business at the thought of launching such a plan today.

"Contributions for past service in connection with pension plans, formerly charged to past-year earnings which had been added to surplus, now, the government says, must be charged to current income. Such contributions no longer are considered as surplus adjustment items," he explained.

"That can mean an awakening some day to find earned income isn't sufficient to cover paid dividend.

"This same new interpretation applies to additional federal taxes paid for prior years, to federal taxes recovered for prior years and to amounts paid in excess of the face value on notes acquired.

"In view of these new government ideas, which apply to all corporations as well as to the finance industry, I caution you to review each item in your financial statement and give particular consideration to these changes if you intend to do financing through note or stock issues," he added.

After Secretary Hardesty and Treasurer Brown gave their reports, President Clauter presented his regular six-months' report on the activities of the association. The association now enjoys the largest membership in its history, with every member taking an active part and cooperating 100%.

The afternoon session adjourned at 4:00 P.M. in preparation for the banquet and dance, which started at 7:30 P.M., with Charles L. Humphries, vice president of the association, presiding. After the invocation by Rev. Father Albert J. Thompson, pastor of St. Francis De Sales Church, greetings to the association from Paducah were extended by the Hon. Fred Morgan, Kentucky State Representative, and the Address of Welcome was presented by the Hon. Stuart Johnson, Mayor of the City of Paducah. Both gentlemen really made the 150 members and guests feel they were certainly welcome in Paducah. After a word from President Harry E. Clauter, the guest speaker, Colonel Jack Major, took over for an hour and thirty minutes. Colonel Major kept his audience spellbound, both by his humor and his very timely, serious subject on topics of the day. The title of his talk was "Taxes, Women and Hogs." In order to appreciate the way

in which Colonel Major handled his subject, one would have to hear his speech.

Without a doubt the Spring Meeting of KCFA will long be remembered as outstanding, both in attendance and the good fellowship enjoyed by everyone. Chairman Humphries is to be congratulated on the goodwill and understanding of the consumer finance business created by holding this meeting in Paducah.

## Pennsylvania

The Pennsylvania Consumer Finance Association held its second stated meeting of 1950, the May quarterly, at Reading, May 9-10.

The Executive Committee met at 4:00 P.M. on Tuesday, May 9, in the Berkshire Hotel, Reading. All members were present.

The Committee approved copy for a new booklet for general distribution embodying the substance of the six "Do You Know" leaflets previously published.

The most important matter considered by the committee was the proposal of Lehigh University to have a consumer credit institute conducted on the campus early in 1951. Dr. Herbert M. Diamond, Head of the Department of Economics, and Dr. Carl Allen, Dean of the School of Business Administration, came to Reading to discuss the matter with our committee. Dr. M. R. Neifeld, vice president of the Beneficial Management Corporation, and Mr. William J. Cheney, executive director, Retail Credit Institute of America, Inc., had been invited and sat in at the conference with the Lehigh men. No further announcement can be made concerning the institute proposal until Lehigh University is ready to make it, but encouraging progress was made in that direction.

The Board of Directors met with all members present or represented except Messrs. Kehr and Gibson. Reports were presented by the treasurer, the secretary, and the executive vice president speaking for the joint work of the executive committee, the public relations committee and the association office.

The pending proposal that the association sponsor a group insurance plan for its members was finally disposed of in the negative. The results of the poll taken of all the interests represented in the membership, which had been conducted pursuant to instructions from the Board at its previous meeting, were considered to indicate insufficient interest to warrant adoption of the proposal.

The membership business meeting was convened at the Reading Country Club on Wednesday, May 10.

Immediately following the business meeting, the Information Forum was opened. The first speaker was the Honorable John W. Lord, Jr., State Senator from Philadelphia, on the subject, "Local Taxes and Small Loan Licensees." Senator Lord had been invited to give this talk because of widespread misunderstanding and illegal tax assessments against licensees since the 1947 session of the Legislature.

The second speaker was Mr. Theodore N. Burke, vice president and general manager, Interstate Loan Company, chairman of the Executive Committee of the Pennsylvania Association, and member of the Board of Directors of the National Association. Mr. Burke spoke on "The National Scene as It Affects You," presenting his material in fighting spirit and challenging Pennsylvania licensees to bestir themselves not only to protect their own state law but to forestall threatened encroachments of the federal government.

The climax of this very successful quarterly meeting came with the luncheon session, which was attended by about 160 persons, including a number of distinguished guests from Reading and other points. Among the guests were Rev. Thomas W. Rhoads, who gave the invocation, James B. Bamford, president, and Roger Jewett, secretary-manager, Reading Chamber of Commerce, Richard Oblender of Lancaster, Professor Davis, Department of Economics, Albright College.

William J. Cheney, executive director, Retail Credit Institute of America, Inc., was the guest speaker, his subject being, "Tomorrow—and Credit." Mr. Cheney had been invited to give his analysis of the claim by the Federal Reserve Board that current consumer credit extension was a dangerous threat to the national economy.

## Washington

The Washington State Consumer Finance Association held its annual meeting April 22, 1950 at the Town and Country Club, Seattle. It was a particularly successful meeting and much credit must go to R. J. Cassin, City Loan Company, Seattle, and his program committee for arranging such a fine meeting. The convention was preceded by a Board of Directors meeting on April 21.

Following registration, the regular business session was called to order by President Harry Crutcher. President Crutcher asked A. M. Constans, Local Loan Company, Seattle, to report for the Board of Directors on their activities for the past year. Mr. Constans briefly reviewed the efforts of the Board during the past year in behalf of the industry and the association.

Committee reports were given by L. A. Lockett, Public Relations Committee, A. M. Constans reported for the Trade Practices Committee in the absence of R. M. Cowen, Chairman. M. H. Gregerson made the report for the Auditing Committee and A. L. Richards reported for the Press and Publicity Committee.

Secretary Gleeson reported that of 88 licensees, all but 11 are members of the state association. Of the 11 who are not members, 3 are recent licensees who have not started to operate as yet. Letters from these have been received indicating that they will join as soon as they start operating.

The following new Board of Directors was elected: I. C. Overley, R. M. Cowen, A. M. Constans, F. J. Gleeson, L. A. Lockett, T. C. Barto and W. H. Lowman of Seattle; E. C. Taggart and A. L. Anderson of Tacoma; O. M. Troup, Spokane; R. L. Forbes, Puyallup; Frank Spencer, Everett; H. L. Crutcher, Wenatchee; Douglas Gerow, Kennewick and Vern Stoneman, Auburn.

W. H. Lowman and Ray E. Vester spoke on the National Advertising

Forum which is being sponsored by the National Association. They both urged that the membership consider joining as many benefits will be derived by the members.

Ray E. Vester presided at the afternoon program which was very interesting and informative. Sgt. Austin Seth of the Seattle Police Department spoke with authority on "Your Police Department." Many useful tips were given to the members on the technique of identifying and helping to apprehend criminals, particularly in connection with holdups.

Robert Barto of Barto & Company, Seattle, gave an excellent talk on "What Your T. D. Applicants Think of Your Business." This part of the program was novel in that some 30 T. D. applicants had been interviewed by outside representatives as to their reactions to the offices at which they had applied, the treatment accorded them, etc. Some very interesting viewpoints were developed in this discussion.

I. C. Overley of Pacific Finance Loans, Seattle, had for his subject "Benefits of Belonging to the State Association." Mr. Overley gave an excellently prepared talk and emphasized the benefits to be derived from belonging to your State Association, particularly from a public relations standpoint.

At the conclusion of the afternoon program the new Board of Directors went into formal session and unanimously elected I. C. Overley, president; R. M. Cowen, vice president and F. J. Gleeson, secretary-treasurer. The position of Joseph E. Hurley as executive secretary and general counsel was continued by the Board for the ensuing year.

The afternoon session was followed by a social hour and then by the evening banquet, president Harry L. Crutcher presiding.



## Important Credit Problems

The most important problem facing credit executives for 1950 is that of collections according to a study just released by the Credit Research Foundation, an affiliate of the National Association of Credit Men. Other important problems reported in the study are: the challenge of intensive sales promotion; feasibility of broader selling terms; and selection and training of personnel.

Collections, at the head of the list, is named as the most portentous factor inasmuch as a stable financial condition is predicted on a sound and successful collection policy. To ensure a sound and successful collection policy, the report emphasizes prompt contact of delinquent customers, personal whenever possible.

In commenting on the challenge offered by intensive sales promotion the Foundation study points out the necessity of examining credit granting policies to determine the possibility of making them more flexible.

Greater emphasis should be placed on the selection and training of personnel for a career in credit and financial management, the Foundation report indicates. When you place a customer relationship in the hands of an assistant you must have confidence in his ability to talk intelligently and tactfully, and in general conduct himself in a dignified manner befitting a representative of the company. This confidence can be achieved if, after careful selection of your personnel, they are given intensive training in all phases of the credit department operations. They should also be acquainted with the functions of other departments in your company.

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### The Road Ahead

*(Continued from Page 9)*

#### Ladies' Program

An attractive program will be arranged for the ladies. There will be sightseeing, perhaps a fashion show, and other interesting features which are in the making. Of course, the ladies are always welcome at all of the convention sessions and they will surely want to attend the luncheons, the social hour and the banquet.

#### Reservations

***Make your hotel reservations early.*** Write directly to Edward Ahern, Reservation Manager, Edgewater Beach Hotel, Chicago, Illinois.



### Personalities

*(Continued from Page 11)*

the rural life in the Bellevue community which is across the scenic Lake Washington floating bridge, thirteen miles east of Seattle, on a ten-acre farm on which he completed a beautiful new home last December. The home has a sweeping panoramic view of the Olympic Mountain Range, Lake Washington and the Seattle skyline.

He is married, has three sons and a daughter, of all of whom he is justly proud. His eldest son, Jim, is attending Harvard University where he is taking a law course.

Al, as he is known to his many friends, seems to make an avocation of business. He is known among his friends for his loyalty and sincerity. He is something of a rugged individualist, and has the ability to get things done. All one has to do to get something done, possible or impossible, is to tell Al, "it can't be done." Then he'll go ahead and do it, sometimes he has a little trouble with the "impossible," but generally comes up with an answer.

His principal hobby is looking after the welfare of Bellevue community projects, second only to annual deer hunting and fishing junkets to Lake Tanwax, where he has a summer place.

# A Glance at What They Are Doing

**Edward Lee Norton,** Alabama investment banker, was nominated by President Truman and unanimously endorsed by the Senate Banking Committee, to be a member of the Federal Reserve Board. He would succeed Ernest Draper who wants to retire. The nomination is for a 14-year term. It is subject to Senate confirmation.

**Miller Redfield,** who has assumed the tough job of replacing both Arthur White and Robert Wolcott, Jr., comes to the California Loan and Finance Association well-qualified for the assignment of executive secretary, as he will be known. He has been with the Public Relations Department of Household Finance Corporation for the past 13 years. For the past 5 years, as Regional Director of Public Relations, he has worked out of Household's Chicago headquarters to cover the Middle West. Earlier Mr. Redfield spent 4 years with the Reconstruction Finance Corporation and, prior to that, 10 years in the banking and securities fields. Mr. White, association executive secretary since 1940, retired on May 1. We say retired but, to be more accurate, we should say he will assume the less strenuous role of consultant or "elder statesman." Mr. Wolcott, association public relations director, leaves at the same time, to go into public relations business for himself.

**B. J. Lenihan,** president of Time Finance Company, and vice president of the National Association, was recently elected to the Board of Directors of the Louisville International Center. This organization is affiliated with the University of Louisville, and has its headquarters on the University campus. The International Center fosters the development of export and import business for Louisville and Kentucky. The Organization also has a Cultural Board to promote amiable relations with all foreign nations. Under the Center's sponsorship, many foreign dignitaries have visited Louisville in the past several years. The State Department has just given special recognition to the Center, designating it one of four similar groups in the Country to entertain and condition foreign employees of the U. S. Information Service on the American way of life. The Board of Directors of the Louisville International Center is composed of leading businessmen of Louisville.

**George O. Nichols,** of Public Loan Company, Terre Haute and vice president of the Indiana Association talked to a group of senior students in the Clinton high school on consumer instalment finance on May 16. The invitation was extended by Superintendent E. C. Boyd of the Clinton public schools. This is the type of educational work that is most productive in eliminating misconceptions about consumer finance and giving the coming generation an accurate understanding of its constructive accomplishments in maintaining a prosperous economy.

**M. Otto Schultz,** president of the Guardian Loan Company, Inc., has announced that his corporation has sold an issue of $300,000, ten-year Subordinated Debentures. This issue was placed privately with an eastern insurance company by Charles H. Mills & Company, in conjunction with Massey & Evans. The Guardian Loan Company, Inc., was established in 1932, and has offices in three boroughs in Metropolitan New York.

**Counsel Finance Company, Inc.,** has been reorganized and chartered by the state to engage in the consumer finance business in Champagne and Monticello, Illinois.

The new firm will be headed by E. Pearl Warwick as president and E. J. Sweeny as executive vice president and treasurer. The company was founded by Mrs. Warwick in 1936 and has been in continuous operation since that time.

**Robert C. Hamilton,** executive secretary of the Indiana Association of Installment Credit Companies, Inc., was chairman of the Banquet and Reception Committee of the Indianapolis Press Club's Gridiron Show. **Paul A. Hancock,** secretary of the Model Loan Service, Inc., and **Thomas J. Umphrey,** president of American Loan Company, both of Indianapolis, were among the members of his committee. There were many notables among the guests, including Governor Henry F. Schricker, Mayor Al Feeney, former GOP national chairman Will H. Hays (a native of Sullivan, Indiana) and movie actor Clark Gable.

**Ernst A. Dauer,** Director of Consumer Credit Studies, Household Finance Corporation, spoke on April 27 to a capacity crowd at the School of Business, Indiana University, on the "Economics of Consumer Credit." This meeting arranged by the Indiana Association, was sponsored by the Finance Club.

**Roy H. Nielsen,** formerly division manager-in-training, is moving up at Capital Finance Corporation to assume his full stature as division manager of Southern Ohio Offices, with his division headquarters being situated at Athens, Ohio.

Mr. Nielsen is a veteran of more than 17 years in consumer financing, the last ten of which have been with Capital. Last September Mr. Nielsen was advanced to division manager-in-training and since that time has covered many of the company's offices as he familiarized himself with the technique and mechanics of supervision.

**Landis Guy Lemaster,** formerly intrepid manager at Charleston Finance Company, a branch office of Capital Finance Corporation, has just been installed as division manager—in charge of all the units (9) in West Virginia, with his division headquarters in Charleston.

He is a native of West Virginia and a former schoolteacher in Tyler County. He worked in various capacities with different coal companies both before and following his hitch in the U. S. Navy during World War I.

Twenty-five years ago (1925) Mr. Lemaster entered the field of consumer financing. He is a Capital veteran of ten years' standing and one with a quarter-century tested experience in the industry.

# Hard Times with Easy Payments

## By WILLIAM TRUFANT FOSTER

*This article is reprinted by special permission from the* Journal of Home Economics. *Dr. Foster, now the director of the Pollak Foundation for Economic Research, has won distinction as an economist, an English professor, college president, author of widely used textbooks, lecturer, editor, and frequent contributor to magazines and newspapers.*

The most dramatic and painful proof of the need to protect consumers against hard times with "easy payments" is the present plight of the State of Missouri. Thirty states are now protected by the Uniform Small Loan Law, as a result of research started in 1907 by the Russell Sage Foundation and pioneering by the State of Massachusetts in 1911. The net result of nearly half a century of gradual strengthening of that law is that slightly more than 80 per cent of the urban population of the United States is covered by effective regulation.

Missouri, however, has the dubious distinction of having reverted, by default, from a regulated state to an unregulated state. In Missouri, small borrowers have been without protection since July 1946. This backsliding came with a decision of the Missouri Supreme Court, which held that the new constitution had repealed the Small Loan Law under which Missouri, along with 30 other states, had driven out virtually all illegal money lenders. The constitution requires that laws which fix interest rates shall apply to *all* lenders. This prevents the most necessitous borrowers from receiving any legal loans at all.

The result has been what the history of a half century leads us to expect. Illegal lenders have rushed into Missouri not only from the five states which never have had Small Loan Laws—namely, Kansas, Montana, North Dakota, South Dakota, and South Carolina—but also from the nine states and the District of Columbia where the laws are wholly inoperative.

"For almost three years," says the Governor of Missouri, "there has been a crying need to regulate small loan companies. Missouri is almost the only industrial state which does not have some form of consumer finance legislation. Since 1946, when the Small Loan Law stopped functioning, loan charges have risen to extortionate rates, ranging from 120 to 240 per cent a year and sometimes even more. Under existing laws, the small borrower with little or no bargaining power is powerless to protect himself. Workable small loan legislation is required to solve the problem. Such legislation must (1) fix an adequate maximum rate, (2) prohibit all unauthorized charges, (3) provide regulation to protect borrowers, and (4) provide for severe penalties." Thus, the Governor of Missouri asks for a law which has virtually ended the loan shark business in 30 states and which had previously cleaned up the state of Missouri.

In the District of Columbia, the law limits loans to $200 and the rate to 1 per cent a month. The license fee of lenders, namely $500, is five times as high as the usual fee. This law, adopted in 1913, requires lenders to pay $500 for the privilege of doing business at a loss. Consequently, residents of the District go either to Maryland and Virginia, where effective laws are operated, or patronize illegal lenders in the District. Yet because the population of the District is wholly urban and because consumer incomes are exceptionally stable, rates for small loans should be lower than in any one of the 48 states. In the District, an effective Small Loan Law is long overdue.

The law is needed everywhere because everywhere men and women act like human beings.

When needs exceed income and savings are lacking, they regard borrowing as necessary. Therefore, the demand for small loans exists, whether or not people ought to be more thrifty and whether or not there is a lawful means of borrowing money. Long ago, every state found that this demand cannot be met at legal rates without Small Loan Laws. In most states, legal maximums range from 6 to 12 per cent a year. Usury laws, however, do not fully protect small loan borrowers. As a rule, it is the Small Loan Law which blocks evasion and provides penalties for illegal lending.


"Bacon again! Why can't you be like other husbands, and bring home a pay envelope?"



To most of us, a rate of interest as high as 2½ per cent a month seems outrageous. Those in least need of help can borrow money at a bank at 6 per cent a year or at an even lower rate, but small consumer loans of the type we are discussing cannot be made at such rates. The reason can be explained in terms of elementary school arithmetic. At 12 per cent, the charges collected annually by a lender whose customers owe him an average of $100 will not pay for investigation, bookkeeping, collections, bad debt losses, and taxes, to say nothing of profit. The cost per account of the most efficient consumer lender is well over $1 a month. Banks, lending comparatively large amounts on preferred security, are able to make installment loans at 6 per cent to 9 per cent discount (12 per cent to 18 per cent true interest), some at even lower rates. Credit unions, relieved of many expenses and enjoying tax advantages, can make small loans at 12 per cent a year. But these two agencies fall far short of meeting the demand.

Outside the field regulated by the Small Loan Law, the requirement and sale of insurance in connection with a loan or other installment credit transaction has become prevalent. At least four states—Michigan, New Jersey, New York, and Ohio—have enacted statutes against tie-in insurance sales. Under these statutes, designation of the insurance agent or broker from whom the borrower or installment buyer must purchase is illegal.

In recent years, there has been a crumbling of the walls which separate various kinds of credit agencies. For several decades, licensed small loan lenders dealt mainly in character or chattel mortgage loans up to $300. Morris Plan banks and personal loan departments of commercial banks made secured loans and loans on endorsed notes. Sales finance companies dealt mainly with installment paper. Since World War II, however, each of these agencies has extended its activities into the special fields of its competitors. Sales finance companies have taken out small loan licenses. In various states, small loan companies have raised their loan limits above $300. In a few states, small loan companies have made larger loans under other statutes. Commercial banks have serviced automo-

bile and appliance dealers more extensively and have increased direct loans to consumers for the buying of automobiles and other durable goods.

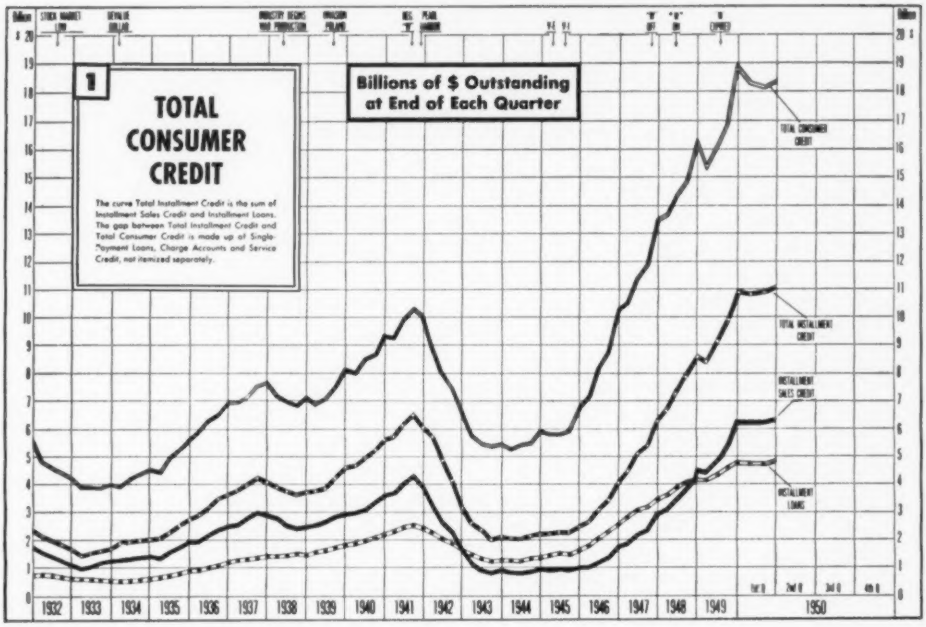
Increasingly, some abuses have arisen in consumer credit agencies of essentially the same type as those which prompted passage of small loan laws. In these fields, regulation in the public interest is also required. Buyers of durable goods on installments have an inequality of bargaining power similar to that of borrowers of small sums. The desire to acquire goods may be almost as strong as the need for money in emergencies. The buyer as well as the borrower lacks legal remedies. A trend toward applying laws to various types of consumer creditors in order to attain objectives similar to those of the small loan laws is evident.

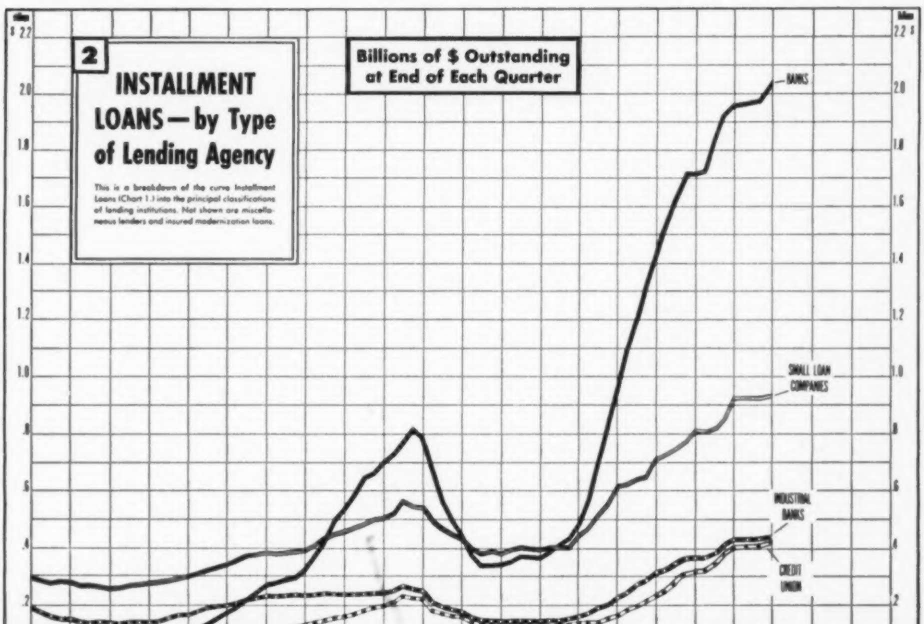
Commercial banks, industrial banks, and sales finance companies customarily have deducted in *advance* the charge made for consumer credit. Where such credit is payable in equal monthly installments, the *effective* rate of charge is about double the *stated* rate. For protection of borrowers, the Russell Sage Foundation and other social agencies always have recommended that all consumer credit agencies be required by law to state charges in terms of true interest rates, as credit unions and small loan companies generally must now do.

Deduction in advance of the charge on consumer credit payable in installments also facilitates abuses when the loan is prepaid or refinanced. Failure to refund unearned charges increases the effective rate of charge. Many borrowers must refinance their accounts two or three times before getting out of debt, and each transaction involves prepayment of a prior obligation. In recent years, several states have passed laws which require refund of part of the deducted charge. Some states now regulate the sales finance business in ways formerly applied only to cash lenders. Most laws for this purpose require the refund of unearned charges. Most require disclosure of important facts such as the down payment, the finance cost, and the monthly payments required. Some also require the seller to provide the installment buyer with a copy of the insurance contract whenever insurance is required. A few such laws impose maximum rate limitations upon the amount of the finance charge.

Thus, in a few states, as far as laws can do the trick, buyers of goods on time are partly protected against hard times with "easy payments," but not so securely as those who borrow money from credit unions or from licensed small loan companies.

# The Trends of Consumer Credit




Source of Data, Federal Reserve Board—Compiled by *The Credit Life Insurance Co.*